

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25

Industry Circular No. 59-17

March 31, 1959

BOTTLING LOSSES

Proprietors of rectifying plants, taxpaid bottling houses, and others concerned:

Purpose. The purpose of this industry circular is to advise you of the need to make certain preparations if you intend to file claim under section 5008(c) of the Internal Revenue Code of 1954, on spirits lost in your rectifying or bottling operations beginning July 1, 1959.

Background. Section 5008(c), as included in the Code by Public Law 85-859, will authorize refund or credit of tax paid on spirits lost by reason of, and incident to, authorized rectifying and bottling operations, including spirits lost by leakage or evaporation during removal from bond to the bottling premises. This law provides that only certain spirits will be eligible for such allowances and makes a distinction in this respect between spirits taxpaid before July 1, 1959, and spirits taxpaid after that date. Thus -

Spirits taxpaid after July 1 must be withdrawn from bond by you directly to your plant or you cannot claim the losses on those spirits.

Spirits taxpaid before July 1 and which are dumped for rectification or bottling on and after that date will be considered as having been withdrawn by you to your plant when they are dumped for rectification or bottling at your plant and will thereupon become eligible for loss allowance.

Spirits taxpaid before July 1 and which are in process on that date will be eligible for allowance of losses but only on those losses occurring on and after July 1.

Under the law, losses are limited to those losses occurring before completion of bottling and casing or other packaging of the spirits and the term "completions" is defined as meaning the "distilled spirits products bottled and cased or otherwise packaged or placed in approved containers for removal from the bottling premises." Thus, any loss which occurs after the spirits are removed, or are cased or packaged for removal, cannot be allowed.

Regulatory requirements. In order to provide a basis for bottling loss claims, regulations proposed to be issued in 26 CFR Part 201 will require a proprietor intending to file such claims to take inventory of and record the alcoholic materials at his bottling premises before commencing business on the first day of the first period for which claim will be filed.

Procedures to be followed. If you intend to claim bottling losses for the period commencing July 1, 1959, there are two things you must do before commencing your operations that day:

1. Establish, by actual inventory, the quantities of spirits, wines, and other alcoholic ingredients in your rectifying or bottling premises, which have been dumped but not completed. This inventory shall show, as to each container.-
 - (a) the nature of the contents, that is, whether spirits or wines, or a mixture of spirits and wines, or a mixture of spirits or wines with alcoholic flavoring or blending ingredients; and
 - (b) the proof gallons (where there is a mixture, show the proof gallons of each component in the container).

Only wines which have been dumped for use in the manufacture of distilled spirits products will be included in the inventory. Thus, wines in process of straight bottling and wines which are being used in the manufacture of rectified wines will be excluded from the inventory.

The name and title of the person taking the inventory must appear on each sheet of the inventory.

2. Make a record of all spirits, wines, and other alcoholic ingredients on hand at your premises which are not in process. This record of materials shall be in the same detail as the inventory of materials in process.

Your inventory must be verified by an internal revenue officer before you commence business on July 1, 1959. In order that the necessary arrangements for verification may be made, it is strongly urged that you advise the officer in charge at your premises, the supervisor of your branch office, or your assistant regional commissioner of your plans just as soon as you possibly can.

Inquiries. Inquiries regarding this industry circular should refer to the number thereof and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



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